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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

MARK YOUNG,
Plaintiffs,
v.
SOLANA LABS, INC., et al.,
Defendants.

Case No. 3:22-cv-03912-RFL

JOINT CASE MANAGEMENT CONFERENCE STATEMENT

1 Lead Plaintiff Mark Young (“Lead Plaintiff”) and Defendants Solana Labs, Inc. (“Labs”),
 2 Multicoin Capital Management LLC (“Multicoin”), and Kyle Samani (“Samani”)¹ respectfully
 3 submit this Joint Case Management Conference Statement pursuant to the Court’s Order
 4 Reassigning Case dated November 27, 2023 (Dkt. No. 62). This matter is subject to the Private
 5 Securities Litigation Reform Act (“PSLRA”), 15 U.S.C. § 77z-1(b)(1), which automatically stays
 6 discovery in actions brought under the Securities Act.

7 **I. DATE FILED**

8 On July 1, 2022, Lead Plaintiff filed the instant class action for violations of Sections 5,
 9 12(a)(1), and 15 of the Securities Act and Sections 25110 and 25503 of the California Corporations
 10 Code.

11 **II. PARTIES**

12 a. Lead Plaintiff is an individual who resides in California. He purchased Solana tokens
 13 (“SOL”) in August and September 2021.. Compl., ¶ 14.

14 b. Defendant Labs is a Delaware corporation having a principal place of business at 275
 15 Battery Street Suite 300, San Francisco, California 94111. Labs builds products and tools that utilize
 16 Solana, a high-performance, permissionless blockchain network based on open-source software. *Id.*
 17 at ¶ 15.

18 c. Defendant Foundation is a non-profit foundation having a principal place of business
 19 in Zug, Switzerland.

20 d. Defendant Yakovenko resides in California. Yakovenko is the CEO and a co-founder
 21 of Labs.

22 e. Defendant Multicoin is a limited liability corporation organized under the laws of
 23 Texas and has its main offices located at 501 West Avenue, Suite 3803, Austin, Texas 78701.

24

25 ¹ Because the Solana Foundation (“Foundation”), Anatoly Yakovenko (“Yakovenko”), and FalconX
 26 LLC (“FalconX”) have not been served and have not appeared in this case, this statement is not
 27 submitted on their behalf. When describing the Complaint’s allegations against the served and
 28 unserved defendants, Labs, Foundation, Yakovenko, Multicoin, Samani, and FalconX are
 collectively referred to herein as “Defendants.” Lead Plaintiff and Defendants Labs, Multicoin, and
 Samani are collectively referred to herein as the “Parties.”

1 Multicoin is an SEC-registered investment adviser with assets under management across various
 2 hedge funds and venture funds.

3 f. Defendant Samani is the Managing Partner and a co-founder of Multicoin and is a
 4 resident of the state of Texas.

5 g. Defendant FalconX is a limited liability corporation organized under the laws of
 6 Delaware and has its main offices located at 1850 Gateway Drive, No. 450, San Mateo, California
 7 94404. *Id.* at ¶ 20.

8 **III. CLAIMS**

9 a. Lead Plaintiff alleges violations of Sections 5 and 12(a)(1) of the Securities Act, 15
 10 U.S.C. §§ 77e, 77l(a)(1), against all Defendants. Compl., ¶ 128. Lead Plaintiff alleges that from
 11 approximately March 24, 2020, through the present, Defendants sold or solicited the sale of SOL
 12 tokens to Lead Plaintiff. Lead Plaintiff alleges that SOL tokens are unregistered securities. *Id.* at
 13 ¶ 132.

14 b. Lead Plaintiff alleges violations of Section 15 of the Securities Act, 15 U.S.C. §77o,
 15 against Defendants Samani and Yakovenko. Compl., ¶ 139. Lead Plaintiff alleges that Samani and
 16 Yakovenko had power and influence and exercised the same to cause the unlawful offer and sale of
 17 unregistered securities. *Id.* at ¶ 140.

18 c. Lead Plaintiff alleges violations of California Corporations Code, sections, 25110
 19 and 25503, against all Defendants, for the unlawful offer and sale of unregistered securities. Compl.,
 20 ¶¶ 148-52.

21 **IV. FACTS**

22 **Plaintiff's Position:**

23 The Complaint alleges that Defendants and other insiders promoted, offered, and sold
 24 hundreds of millions of dollars' worth of SOL to the public yet neglected to register any SOL as
 25 securities in violation of federal and California law. The Complaint alleges that Defendants are
 26 therefore liable in their capacity as issuers, statutory sellers, and/or direct or indirect offerors of
 27 SOL.

1 Lead Plaintiff alleges that since it first offered SOL securities to the public in March 2020,
 2 Labs and Foundation have continuously promoted the sale of unregistered SOL securities to the
 3 public, soliciting Plaintiff and other retail investors to purchase those securities. Compl., ¶ 81. In
 4 making such solicitations and offers, Labs and Foundation were motivated by their desire to serve
 5 their own financial interests. *Id.* at ¶ 82. Indeed, as of May 2021, 48% of SOL securities were owned
 6 by insiders such as Labs and its team, and an additional 13% of SOL securities were owned by
 7 Foundation. *Id.* In addition, to increase demand for SOL securities, Labs and Foundation ensured
 8 that SOL securities would be tradable on secondary markets, including the largest and best known
 9 crypto-asset exchanges in the United States and the world. *Id.* at ¶ 83. For example, in mid-2021,
 10 Solana announced that SOL securities would be tradeable on Coinbase, the largest crypto-asset
 11 exchange based in the United States. *Id.* at ¶ 84. In addition, on its Twitter account, Labs and
 12 Foundation made numerous offers and solicitations to purchase SOL securities, on various
 13 exchanges, on its Twitter account. *Id.* at ¶ 85.

14 Defendant Samani, as noted, is co-founder and managing partner of Multicoin. Compl., ¶
 15 86. Multicoin led Solana’s \$20 million Series A funding round in July 2019. *Id.* at ¶ 87. The Series
 16 A investors received SOL tokens in exchange for their investment, not equity in Solana, Inc. *Id.*
 17 Samani and Multicoin repeatedly promoted the sale of unregistered SOL securities, and Samani
 18 himself explained that his efforts were integral in getting Labs through difficult times during the
 19 first two quarters of 2020, “when Solana was both a) almost out of money b) irrelevant.” *Id.* at ¶ 90.
 20 Samani and Multicoin were “pretty intimately involved in every major turning point, every major
 21 decision, every funding round that we had,” Solana co-founder Raj Gokal said of the firm. *Id.* at ¶
 22 89. Samani and Multicoin also owned ten figures worth of SOL securities and were thereby
 23 motivated to encourage their sale to the public. *Id.* at ¶ 91. Like Defendants Labs and Foundation,
 24 Lead Plaintiff alleges that Samani, through his personal Twitter account, aggressively promoted and
 25 solicited others to purchase SOL securities. *Id.* at ¶ 95. Samani and Multicoin off-loaded millions
 26 of dollars of unregistered SOL securities on retail investors and profited handsomely from their
 27 promotion of unregistered SOL securities. *Id.* at ¶ 13. To offload the SOL securities, they used OTC
 28

1 trading desks, such as Defendant FalconX, to act as a broker for the sale of substantial sums of SOL
 2 securities. *Id.*

3 **Defendants' Position:**

4 Founded by Yakovenko and others in 2018, Labs helped develop the open-source software
 5 for Solana, a high-performance permissionless blockchain with the capacity to process thousands of
 6 transactions per second. Labs raised funding from, among others, Multicoin, a firm co-founded by
 7 Samani. The Solana blockchain uses a native token called "SOL." SOL first became available to
 8 the public via a Dutch auction for non-US persons held in March 2020 on a crypto trading platform
 9 called CoinList.

10 Lead Plaintiff filed the Complaint on July 1, 2022, bringing claims under Sections 5,
 11 12(a)(1), and 15 of the Securities Act and under Sections 25110 and 25503 of the California
 12 Corporations Code against Labs, Foundation, Yakovenko, Multicoin, Samani, and FalconX. Lead
 13 Plaintiff alleges that SOL is an unregistered security that he purchased in August and September
 14 2021 by exchanging other crypto tokens via a crypto "wallet" called Exodus. He does not allege that
 15 he purchased SOL through the Dutch auction held in March 2020 or that he purchased SOL directly
 16 from any Defendant. Lead Plaintiff alleges that Defendants are statutory sellers with respect to his
 17 purchases of SOL, or were control persons, because Defendants made various statements on Twitter
 18 about SOL and the Solana blockchain.

19 **V. LEGAL ISSUES**

20 The principal legal issues which the parties currently dispute include (but are not limited to):

21 a. Whether any Defendant can be held liable under the Securities Act or the California
 22 Corporations Code for selling or offering to sell Lead Plaintiff the SOL tokens he purchased on the
 23 secondary market;

24 b. Whether Lead Plaintiff's purchase of SOL tokens on the secondary market is a
 25 securities transaction subject to the Securities Act or the California Corporations Code; and

26 c. Whether Yakovenko or Samani had control person authority and used such authority
 27 to cause the unlawful offer and sale of SOL tokens to Lead Plaintiff.

1 Defendants have not yet responded to the original complaint and expressly reserve all rights
 2 and defenses, including, but not limited to, challenges to standing, personal jurisdiction and
 3 timeliness of Lead Plaintiff's claims.

4 **VI. RELIEF SOUGHT**

5 Lead Plaintiff and the Class seek rescissory damages against all Defendants for purchases of
 6 SOL tokens. Lead Plaintiff also seeks injunctive relief, attorney's fees, and costs (including, but not
 7 limited to, expert fees). The Parties will require expert analysis to determine recoverable damages,
 8 if any, in the event Plaintiff establishes liability.

9 **VII. DISCOVERY**

10 Because there is a discovery stay in this action under the PSLRA, the Parties believe it is
 11 premature to discuss matters relating to discovery.

12 **VIII. RELATED CASES**

13 There are no related cases currently pending against the Defendants in any United States
 14 District Court.

15 **IX. PROCEDURAL HISTORY**

16 On July 1, 2022, Lead Plaintiff filed the initial Complaint. Dkt. No. 1. At the time the
 17 Complaint was filed, Lead Plaintiff was represented by counsel from Schneider Wallace and Roche
 18 Freedman LLP, including Kyle Roche. *Id.* On September 6, 2022, Lead Plaintiff filed his Motion
 19 to be Appointed as Lead Plaintiff and for Appointment of Schneider Wallace as Class Counsel. Dkt.
 20 No. 33. On that same date, Mohammed Rashid ("Rashid") filed a competing motion. Dkt. No. 29.

21 Upon the request of counsel for Lead Plaintiff, on September 14, 2023, the Court held a
 22 status conference wherein the Court addressed the competing Lead Plaintiff motions. Dkt. No. 51.
 23 Rashid failed to appear. Dkt. No. 52. Schneider Wallace represented that "the firm Freedman
 24 Normand Friedland LLP will do no further work on this case," and Judge Donato directed Freedman
 25 Normand Friedland to file a notice of withdrawal of representation of Lead Plaintiff, which they
 26 subsequently did. *Id.* On November 13, 2023, the Court issued an order granting Mark Young's
 27 Motion for Lead Plaintiff and Appointment of Lead Counsel. Dkt. No. 59. On November 27, 2023,
 28

1 the Court issued an Order Reassigning Case to the Honorable Rita F. Lin in the San Francisco
2 Division for all further proceedings. Dkt. No. 62.

3 **X. DEADLINES**

4 In its Order re Lead Plaintiff and Lead Counsel, the Court set a deadline of January 12, 2024
5 for Lead Plaintiff to file its consolidated amended class action complaint. Dkt. No 59.

6 **XI. MODIFICATION OF DEADLINES**

7 The Parties do not seek modification of deadlines currently; however, the Parties are working
8 together to propose a briefing schedule for Defendants' forthcoming Motion to Dismiss the
9 Amended Complaint.

10 **XII. CONSENT TO MAGISTRATE**

11 The parties do not consent to assignment of this case to a magistrate judge for further
12 proceedings.

13 **XIII. EMERGENCIES**

14 No emergencies currently exist which would necessitate an immediate need for a case
15 management conference to be scheduled in the action.

16
17 Dated: December 11, 2023 Respectfully submitted,

18
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11 Dated December 11, 2023

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